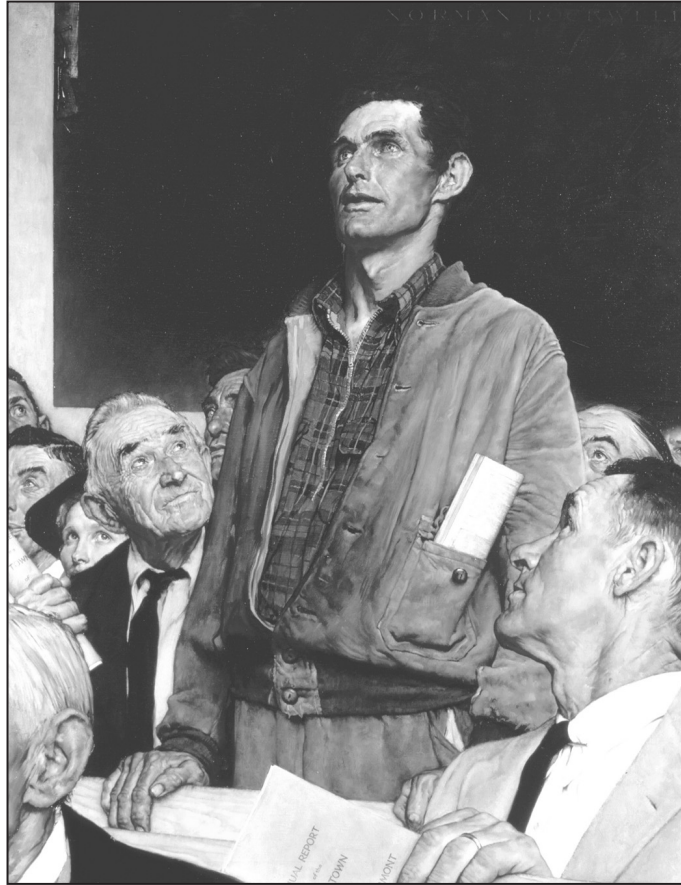


SECTION II

Schedule of Findings and Questioned Costs



Freedom of Speech

The Saturday Evening Post, February 20, 1943 ©1943 SEPS: Licensed by Curtis Publishing, Indianapolis, IN.

Inspired by President Franklin D. Roosevelt's January 6, 1941 State of the Union address where he spoke of the four fundamental freedoms of all Americans: freedom from fear, freedom from want, freedom of speech, and freedom to worship, Norman Rockwell painted these **Four Freedoms**.

This illustration was the first in the series. After attending a town meeting in Arlington, Vermont, Rockwell realized that he had found the idea he needed to get started. As in so many of his pictures, Rockwell includes himself. He is the person furthest back on the left. In **Freedom of Speech**, Rockwell depicts an ordinary man, standing amongst neighbors at a town meeting and speaking his mind. Rockwell's neighbor, Jim Edgerton, served as inspiration for the figure.



THIS PAGE LEFT INTENTIONALLY BLANK

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

I. Summary of Auditor's Results

We have audited the financial statements of the Commonwealth of Massachusetts as of and for the year ended June 30, 2004 and have issued our reports thereon dated December 23, 2004. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133. The results of our audit are as follows:

Type of report issued on the financial statements: Unqualified opinion

Reportable conditions in internal control disclosed by the audit of the financial statements: Yes

Material noncompliance disclosed by the audit of the financial statements: No

Reportable conditions in internal control over major programs: Yes

Type of report issued on compliance for major programs: Qualified opinion

Audit findings required to be reported under Section .510(a) of OMB Circular A-133: Yes

| Major Programs Funding Source | Program | CFDA No. |
|--|--|-----------------|
| Agriculture | Food Stamps Program | 10.551(a) |
| Agriculture | State Admin. Matching-Food Stamps | 10.561(a) |
| Agriculture | School Breakfast Program | 10.553(b) |
| Agriculture | National School Lunch Program | 10.555(b) |
| Agriculture | Special Milk Program for Children | 10.556(b) |
| Agriculture | Summer Food Service Program | 10.559(b) |
| Agriculture | Child & Adult Food Care Program | 10.558 |
| Justice/Homeland Security | State Domestic Preparedness Equipment Support | 16.007/97.004 |
| Justice | Juvenile Accountability Incentive Block Grants | 16.523 |
| Justice | Byrne Formula Grant Program | 16.579 |
| Labor | Unemployment Insurance Program | 17.225 |
| Labor | WIA Adult Program | 17.258(c) |
| Labor | WIA Youth Activities | 17.259(c) |
| Labor | WIA Dislocated Workers | 17.260(c) |
| Transportation | Highway Planning & Construction | 20.205 |
| Education | Title I Program | 84.010 |
| Education | Special Education-State Grants | 84.027(d) |
| Education | Special Education-Preschool Grants | 84.173(d) |
| Education | Improving Teacher Quality – State Grants | 84.367 |
| Education | FSEOG Program | 84.007(e) |
| Education | FFEL Program | 84.032(e) |
| Education | Federal Work-Study Program | 84.033(e) |
| Education | Federal Perkins Loan Program | 84.038(e) |
| Education | Federal Pell Grant Program | 84.063(e) |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

I. Summary of Auditor's Results (Continued)

| | | |
|-------------------------|--|-----------|
| Education | Federal Direct Loan Program | 84.268(e) |
| Health & Human Services | HEAL Program | 93.108(e) |
| Health & Human Services | HPSL Program | 93.342(e) |
| Health & Human Services | Nursing Student Loan Program | 93.364(e) |
| Health & Human Services | EFNS Program | 93.820(e) |
| Health & Human Services | Special Programs for the Aging, Title III, Part B | 93.044(f) |
| Health & Human Services | Special Programs for the Aging, Title III, Part C | 93.045(f) |
| Health & Human Services | Nutrition Services Incentive Program | 93.053(f) |
| Health & Human Services | Childhood Immunization Grants | 93.268 |
| Health & Human Services | Child Support Enforcement Program | 93.563 |
| Health & Human Services | TANF Block Grant | 93.558 |
| Health & Human Services | Foster Care Program | 93.658 |
| Health & Human Services | Child Care & Development Block Grant | 93.575(g) |
| Health & Human Services | Child Care Mandatory & Matching Funds of the Child Care & Development Fund | 93.596(g) |
| Health & Human Services | Social Services Block Grant | 93.667 |
| Health & Human Services | State Children's Insurance Program | 93.767 |
| Health & Human Services | Medical Assistance Program | 93.778(h) |
| Health & Human Services | State Medicaid Fraud Control Units | 93.775(h) |
| Health & Human Services | State Survey and Certification of Health Care Providers and Suppliers | 93.777(h) |
| Health & Human Services | SAPT Block Grant | 93.959 |
| | | |
| (a) Cluster of Programs | (e) Cluster of Programs | |
| (b) Cluster of Programs | (f) Cluster of Programs | |
| (c) Cluster of Programs | (g) Cluster of Programs | |
| (d) Cluster of Programs | (h) Cluster of Programs | |

Dollar threshold used to distinguish Type A and Type B programs: \$30,000,000

Qualification of auditee as a low-risk auditee: No

Introduction

The findings and recommendations detailed in Sections IV and V of this volume, and summarized in the schedule below, have been reviewed with representatives of the departments from which the observations arose and with representatives from the Office of the Comptroller. In order to assist the reader in understanding both the departmental compliance with laws and regulations and the adequacy of the internal control structure, the findings have been grouped by department and categorized as to whether they concern the department's federal program compliance or the internal control structure used in administering federal award programs. *(Part III of this Schedule)*

In addition, the findings concerning compliance with Massachusetts General Laws and on the internal control structure based on the study and evaluation of the accounting system as part of the examination of the General Purpose Financial Statements contained in the Comprehensive Annual Financial Reports (CAFR), are summarized below in Part II and detailed in Section IV.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2004

I. Summary of Auditor's Results (Continued)

At the end of each finding involving federal programs, detailed in Section V, is a parenthetical disclosure indicating the federal agency or agencies providing the funding for the program(s) to which the finding is applicable and the applicable Catalog of Federal Domestic Assistance number(s).

Corrective action plans and/or departmental responses to the findings and recommendations have been provided by the departments' representatives and reflect plans and responses as of December 23, 2004.

In the event a finding is repeated from the prior Single Audit report or a report prepared in prior years by other auditors performing audits of federal programs, the parenthetical disclosure at the end of the finding also indicates the year the finding first was reported, the finding number in the most recently issued prior report and, if applicable, the federal audit agency issuing the report so that the reader may cross-reference the current finding to the prior reports.

Under a cooperative agreement for the Commonwealth's Single Audit, the Office of the State Auditor, in order to provide the necessary audit coverage for the student financial assistance programs not audited by independent accounting firms and to assist in the audit of major programs, conducted the audit procedures at four Commonwealth institutions of higher education and four departments. While the findings resulting from these audits are incorporated in this report, the Office of the State Auditor will also issue its own separate reports with the results of these audits.

Questioned costs as a result of the fiscal year 2004 statewide single audit

The study and evaluation of the various departments' compliance with laws and regulations resulted in the identification of questioned costs totaling \$16,246,384. \$10,999,270 of these questioned costs are attributable to fiscal year 2003 and continue to be questioned pending completion of a federal investigation. For those instances where costs were questioned, the specific costs have been identified in findings reported on the following pages.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

II. Findings Related to the Financial Statements

| <u>Reportable Conditions</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|--|--------------------------------|----------------------------------|
| Office of the State Treasurer use and reconciliation of the Float Fund. <i>(Finding No. 9 – Office of the State Treasurer and Office of the Comptroller)</i> | - | - |
| Inadequate controls over the payment of utility bills. <i>(Finding No. 12 – Roxbury Community College)</i> | - | - |
| <u>Noncompliance Findings</u> | | |
| Late recording of fixed assets. <i>(Finding No. 1 - Department of Commission against Discrimination, No. 2 – Division of Capital Asset Management)</i> | - | - |
| Collection of accounts receivable needs improvement. <i>(Finding No. 3 – Department of Mental Retardation)</i> | - | - |
| Internal control over fixed assets needs improvement. <i>(Finding No. 4 – Department of Social Services, No. 7 – Office of Child Care Services)</i> | - | - |
| Improvements needed in the reconciliation of accounts receivable. <i>(Finding No. 5 – Soldier's Home in Holyoke, No. 13 – Springfield Technical Community College)</i> | - | - |
| Internal controls over travel reimbursement need improvement. <i>(Finding No. 6 – Office of Child Care Services)</i> | - | - |
| Recording of adjustments and uncollectibles needs enhancement. <i>(Finding No. 8 – Registry of Motor Vehicles)</i> | - | - |
| Internal control plan in need of improvement. <i>(Finding No. 10 – Bridgewater State College)</i> | - | - |
| Non-appropriated fund activity and balances not reconciled in a timely manner. <i>(Finding No. 11 – Roxbury Community College)</i> | - | - |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

II. Findings Related to the Financial Statements (continued)

| <u>Noncompliance Findings</u> | <u>Questioned Costs</u> | <u>Program and CFDA</u> |
|--|--------------------------------|--------------------------------|
| Noncompliance with Chapter 647 reporting requirements. (<i>Finding No. 14 – Worcester State College</i>) | - | - |

III. Findings and Questioned Costs for Federal Awards

| <u>Material Weaknesses</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|--|--------------------------------|--|
| Federal investigation of Byrne Formula Grant activities. (<i>Finding No. 51 – Executive Office of Public Safety</i>) | \$10,999,270 | Byrne Formula Grant Program 16.579 |
| <u>Reportable Conditions</u> | | |
| Controls over FamilyNet and home licensing report data need improvement. (<i>Finding No. 31 – Department of Social Services</i>) | - | Foster Care Program 93.658 |
| The recording of aged accounts receivable needs to be reviewed in a timelier manner. (<i>Finding No. 37 – Executive Office of Health and Human Services</i>) | - | Medical Assistance Program 93.778 |
| Procedures used in the preparation of the information for GAAP reporting purposes need to be documented. (<i>Finding No. 38 - Executive Office of Health and Human Services</i>) | - | Medical Assistance Program 93.778; State Children's Insurance Program 93.767 |
| Roxbury Community College administration needs improvement. (<i>Finding No. 62 – Roxbury Community College</i>) | - | Federal Pell Grant Program 84.063; Federal Work-Study Program 84.033; Federal Supplemental Educational Opportunity Grants 84.007 |
| <u>Noncompliance Findings</u> | | |
| Excess indirect costs not adjusted in a timely manner. (<i>Finding No. 15 – Office of the Comptroller</i>) | - | Improving Teacher Quality - State Grants 84.367; Nutrition Services Incentive Program 93.053 |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

III. Findings and Questioned Costs for Federal Awards (Continued)

| <u>Noncompliance Findings</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|---|--------------------------------|---|
| Additional costs included in statewide cost allocation plan. (<i>Finding No. 16 – Office of the Comptroller</i>) | - | Unknown federal programs |
| Documentation supporting the statewide cost allocation plan needs improvement. (<i>Finding No. 17 – Office of the Comptroller</i>) | - | Unknown federal programs |
| Inadequate supporting documentation for expenditures. (<i>Finding No. 18 – Department of Education, No. 47 - Executive Office of Public Safety</i>) | \$3,304,958 | Title I Program 84.010; Special Education 84.027; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; State Domestic Preparedness Equipment Support 16.007/97.004 |
| Cost allocation plan needed. (<i>Finding No. 19 – Department of Education, No. 40 – Department of Elder Affairs</i>) | - | Title I Program 84.010; Improving Teacher Quality 84.367; Child and Adult Food Care Program 10.558; National School Lunch Program 10.555; Nutrition Services Incentive Program 93.053; Senior Community Service Employment Program 17.235; Eisenhower Professional Development State Grants 84.281; Reading Excellence Act 84.338; Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging-Title IV and Title II, Discretionary Projects 93.048; CMS Research, Demonstrations and Evaluations 93.779; Maternal & Child Health Services Block Grants to States 93.994 |
| Vocational education program maintenance of effort requirements not met. (<i>Finding No. 20 – Department of Education</i>) | \$1,429,789 | Vocational Education 84.048 |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

III. Findings and Questioned Costs for Federal Awards (Continued)

| <u>Noncompliance Findings</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|--|--------------------------------|--|
| Reallocation of Title I funds in excess of 15% carryover and measurement of LEA cash need improvement. <i>(Finding No. 21 – Department of Education)</i> | - | Title I Program 84.010 |
| Questionable advance to a local education agency. <i>(Finding No. 22 – Department of Education)</i> | - | Special Education 84.027 |
| Improvements needed in the calculation of adequate yearly progress. <i>(Finding No. 23 – Department of Education)</i> | - | Title I Program 84.010 |
| Ineffective case tracking and management system. <i>(Finding No. 24 – DOR/Division of Child Support Enforcement)</i> | - | Child Support Enforcement Program 93.563 |
| Independent peer reviews not conducted. <i>(Finding No. 25 – Department of Public Health)</i> | - | Block Grant for Prevention and Treatment of Substance Abuse 93.959 |
| Subrecipient identification and award documents need improvement. <i>(Finding No. 26 – Massachusetts Highway Department)</i> | - | Highway Planning and Construction 20.205 |
| Monitoring of Davis-Bacon compliance needs improvement. <i>(Finding No. 27 – Massachusetts Highway Department)</i> | - | Highway Planning and Construction 20.205 |
| Inaccurate recording of payroll, accrued leave and relocation expenditures. <i>(Finding No. 28 – Massachusetts Highway Department)</i> | - | Highway Planning and Construction 20.205 |
| Timeliness of CORI checks needs improvement. <i>(Finding No. 29 – Department of Social Services)</i> | - | Foster Care Program 93.658 |
| The process for home licensing needs improvement. <i>(Finding No. 30 – Department of Social Services)</i> | - | Foster Care Program 93.658 |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

III. Findings and Questioned Costs for Federal Awards (Continued)

| <u>Noncompliance Findings</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|--|--------------------------------|--|
| Non-compliance with legal requirements for open fair appeal hearings. (<i>Finding No. 32 – Department of Social Services</i>) | - | Foster Care Program 93.658 |
| Improvements needed for the documentation of judicial determinations. (<i>Finding No. 33 – Department of Social Services</i>) | - | Foster Care Program 93.658 |
| Untimely filing of plan of care and level of care documents. (<i>Finding No. 34 – Executive Office of Health and Human Services/ Department of Mental Retardation</i>) | - | Medical Assistance Program 93.778 |
| No communication of feasible alternatives. (<i>Finding No. 35 – Executive Office of Health and Human Services/ Department of Mental Retardation</i>) | - | Medical Assistance Program 93.778 |
| Draw downs of federal cash need better monitoring. (<i>Finding No. 36 – Executive Office of Health and Human Services, No. 52 – Executive Office of Public Safety</i>) | - | Medical Assistance Program 93.778; State Children's Insurance Program 93.767; State Domestic Preparedness Equipment Support 16.007/97.0004 |
| Improvements needed over reconciliations. (<i>Finding No. 39 – Department of Elder Affairs, No. 50 – Executive Office of Public Safety</i>) | - | Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Nutrition Services Incentive Program 93.053; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; State Domestic Preparedness Equipment Support 16.007/97.004 |
| Monitoring of subrecipients needs to continue to improve. (<i>Finding No. 41 – Department of Elder Affairs, No. 48 - Executive Office of Public Safety</i>) | - | Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Nutrition Services Incentive Program 93.053; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; State Domestic Preparedness Equipment Support 16.007/97.004 |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

III. Findings and Questioned Costs for Federal Awards (Continued)

| <u>Noncompliance Findings</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|--|--------------------------------|---|
| Monitoring of audit findings relating to area agencies on aging needs improvement. <i>(Finding No. 42 – Department of Elder Affairs)</i> | - | Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Nutrition Services Incentive Program 93.053 |
| Lack of documentation to support payroll charges. <i>(Finding No. 43 – Department of Elder Affairs)</i> | - | Special Programs for the Aging, Title III, Part B 93.044 |
| Contract and payment vouchers not in compliance with Commonwealth policies. <i>(Finding No. 44 – Executive Office of Public Safety)</i> | - | Byrne Formula Grant Program 16.579 |
| Salaries allocated to federally funded programs are not supported by proper documentation. <i>(Finding No. 45 – Executive Office of Public Safety)</i> | \$512,367 | Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; State Domestic Preparedness Equipment Support 16.007/97.004 |
| Excess federal cash on hand at grantor and subrecipient levels. <i>(Finding No. 46 – Executive Office of Public Safety)</i> | - | Byrne Formula Grant Program 16.579 |
| Payment vouchers approved after disbursement of funds. <i>(Finding No. 49 – Executive Office of Public Safety)</i> | - | Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523; State Domestic Preparedness Equipment Support 16.007/97.004 |
| Internal controls over bill payments needs improvement. <i>(Finding No. 53 – Office of Child Care Services)</i> | - | Child Care and Development Block Grant 93.575 |
| Food Stamps Status of Claims Against Household Report filed with inaccurate data. <i>(Finding No. 54 – Department of Transitional Assistance)</i> | - | Food Stamps Program 10.551 |

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

III. Findings and Questioned Costs for Federal Awards (Continued)

| <u>Noncompliance Findings</u> | <u>Questioned Costs</u> | <u>Program and CFDA #</u> |
|---|--------------------------------|--|
| The BEACON system lacks the appropriate segregation of duties. <i>(Finding No. 55 – Department of Transitional Assistance)</i> | - | Temporary Assistance to Needy Families 93.558; Food Stamps Program 10.551 |
| Outstanding checks need to be transferred to the Office of the State Treasurer's unpaid check fund. <i>(Finding No. 56 – Bunker Hill Community College)</i> | - | Federal Pell Grant Program 84.063; Federal Supplemental Educational Opportunity Grants 84.007; Federal Work-Study Program 84.033 |
| Controls needed regarding distribution of college work-study paychecks. <i>(Finding No. 57 – Bunker Hill Community College)</i> | - | Federal Work-Study Program 84.033 |
| Fraudulent time records submitted by a student in College's work-study program. <i>(Finding No. 58 – Bridgewater State College)</i> | - | Federal Work-Study Program 84.033 |
| Student loan disbursement not made in required timeframe. <i>(Finding No. 59 – Bridgewater State College)</i> | - | Direct Student Loan Program 84.268 |
| Untimely student exit counseling sessions and inadequate coordination between College departments for the administration of the Federal Perkins Loan Program. <i>(Finding No. 60 – Bridgewater State College)</i> | - | Federal Perkins Loan Program 84.038 |
| Improvements needed in the implementation and updating of the quality assurance systems for the Direct Student Loan Program. <i>(Finding No. 61 – Bridgewater State College)</i> | - | Direct Student Loan Program 84.268 |
| Total Questioned Costs | \$16,246,384 | |